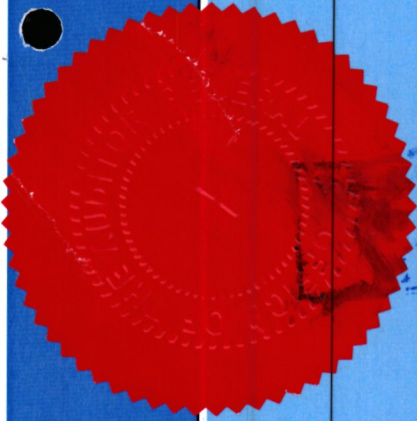


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 MAR 2023	DAY: THURSDAY
TABLED BY:	MAJORITY LEADER
CLERK-AT THE-TABLE:	

THE AUDITOR-GENERAL

ON

**NATIONAL TREASURY CAPACITY
STRENGTHENING PROJECT (GRANT
NO.5500155013902 ID NO.P-KE-KOO-011)**

**FOR THE YEAR ENDED
30 JUNE, 2022**

THE NATIONAL TREASURY



NATIONAL TREASURY CAPACITY STRENGTHENING PROJECT

**THE NATIONAL TREASURY
(RESOURCE MOBILISATION DEPARTMENT)**

**PROJECT GRANT NUMBER: 5500155013902
ID NO. P-KE-KOO-011**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

THE NATIONAL TREASURY
National Treasury Capacity Strengthening Project
Annual Report and Financial Statements for the Financial Year ended June 30, 2022

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Project Information and Overall Performance (Continued)

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Dr Julius Muia, PhD, CBS	Principal Secretary	Doctorate	Accounting Officer The National Treasury
Dr Kenrick Ayot	Principal Economist	Doctorate	Project Manager
Miriam Kundu	Asst. Director, Supply Chain Management	Bachelors	Project Procurement Officer
Christine Chimayi	Accountant	CPA, Part II	Project Accountant

1.7 Funding summary

The Project is for duration of 2 years from 2021 to 2023 with an approved budget as highlighted in the table below as follows:

- i. AfDB: \$.286,000 equivalent to Kshs.32,890,000
- ii. GOK: Kshs.30,000,000.

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 June 2022)		Undrawn balance to date	
	Donor USD (A)	Kshs (A')	Donor currency USD (B)	Kshs (B')	Donor currency USD (A)-(B)	Kshs (A)-(B)
(i) Grant						
African Development Bank (AfDB)	286,000	32,890,000	90,552	10,413,480	195,448	22,476,520
GOK: Counterpart funding	-	30,000,000	-	2,784,081	-	27,215,919
Total	286,000	62,890,000	90,552	13,197,561	195,448	49,692,439

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2022)		Cumulative amount paid to date (30 th June 2022)	Unutilised balance to date (30th June 2022)
	Donor currency USD (A)	Kshs (A')		
(i) Grant				
African Development Bank (ADB)	53,000	5,900,490	3,648,247	-
GOK: Counterpart funding	-	2,784,081	2,784,081	-
Total	53,000	8,684,571	6,432,328	2,252,243

Project information and overall performance (continued)

1.8 Summary of Overall Project Performance:

i) Budget performance against actual amounts for current year and for cumulative to-date.

The National Treasury Capacity strengthening Project is implemented by the African Development Bank (ADB) with Government Counterpart funding. During FY 2021-2022 the Project had a budget of Kshs.10 million with a GOK component of Kshs.3 million. The actual expenditure totalled Kshs.6,432,328 which relates to Project Expenditure with Kshs. 3,648,247 as donor funds and Kshs. 2,784,081 as GOK counterpart.

ii) Physical progress based on outputs, outcomes, and impacts since project commencement,

During the year under review, eight (8) officers of the National Treasury attended training in areas related to resource mobilisation and utilisation of funds thereby boosting proficiency of their work. The Project anticipated to provide office equipment which is in process.

iii) Comment on value-for-money achievements,

The goal of the project is to strengthen the capacity of the National Treasury for improved economic policy management and enhanced transparency, accountability, efficiency and effectiveness in public debt and project management. The notable achievement of the project include:

- i) Trained and built capacity of eight (8) PDMO staff.
- ii) Reviewed and provided inputs to four (2) quarterly Economic and Budgetary Review report
- iii) Reviewed ten (10) monthly debt bulletin publications.

iv) Indicate the absorption rate for each year since the commencement of the project.

The project commenced in October 2021 after fulfilment of condition precedent to the signing of the Agreement. The project has been implemented for 9 months during the year under review with an absorption rate of 67%

v) List the implementation challenges and recommended way forward.

There was delay in procurement of Office Equipment. This is to be fast tracked in FY 2022-2023.

1.9 Summary of Project Compliance:

i) The project has complied to all applicable laws and regulations.

All relevant statutory provisions pertaining to budgeting, disbursement, financial reporting and procurement as stipulated in the relevant Acts were followed in the acquisition of goods and services

ii) There have never been any consequences which the project has suffered since all the rules and regulations have been complied.

iii) The mitigation measures taken are sensitization of the staff on the applicable laws and indicating the consequences they can face in not abiding to the regulations.

2. Statement of Performance against Project’s Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity’s performance against predetermined objectives.

The key development objectives of the *project’s agreement/* plan are to:

- a) Strengthen economic policy and debt management capacity of the Public Debt Management Office
- b) Enhance capacity of staff

Progress on attainment of strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
National Treasury Capacity Strengthening Project	<ul style="list-style-type: none"> • Strengthen economic policy and debt management capacity of the Public Debt Management Office 	<ul style="list-style-type: none"> • Staff capacity enhanced • Quarterly Economic and Budgetary Review report reviewed • Ten (10) monthly debt bulletin publications reviewed 	Number of staff trained; Quarterly Economic and Budgetary Review report reviews; No. of monthly debt bulletins reviewed.	Six (6) staff trained; Four (4) quarterly Economic and Budgetary Review reports reviewed; Ten (10) monthly debt bulletin publications reviewed.

3. Environmental and Sustainability reporting

National Treasury Capacity Strengthening Project did not take part in Corporate Social Responsibility during the year.

4. Statement of Project Management responsibilities

The Principal Secretary for the National Treasury and the **Project Manager** for **National Treasury Capacity Strengthening Project** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2022.

This responsibility includes (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud,(iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

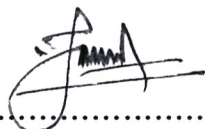
The Principal Secretary for the National Treasury and the **Project Manager** for **National Treasury Capacity Strengthening Project** accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the National Treasury and the **Project Manager** for **National Treasury Capacity Strengthening Project** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2022, and of the Project's financial position as at that date. **The Principal Secretary** for the National Treasury and the **Project Manager** for **National Treasury Capacity Strengthening Project** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project Financial Statements as well as the adequacy of the systems of internal financial control.

The **Principal Secretary** for the National Treasury and the **Project Manager** for **National Treasury Capacity Strengthening Project** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

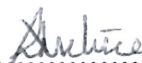
The Project financial statements were approved by the **Principal Secretary** for the National Treasury and the **Project Manager** for **National Treasury Capacity Strengthening Project** on 28th November 2022 and signed by them.



.....
Julius M. Muia, PhD, CBS
Principal Secretary
The National Treasury



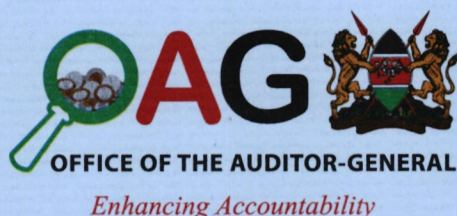
.....
Dr. Kenrick Ayot
Project Manager



.....
Linnet M. Vitisia
Head: Disbursement Unit
ICPAK Member No.5831

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL TREASURY CAPACITY STRENGTHENING PROJECT (GRANT NO.5500155013902 ID NO.P-KE-KOO-011) FOR THE YEAR ENDED 30 JUNE, 2022 – THE NATIONAL TREASURY

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Treasury Capacity Strengthening Project set out on pages 1 to 15, which comprise the statement of financial

Report of the Auditor-General on National Treasury Capacity Strengthening Project (Grant No.5500155013902 ID NO. P-KE-KOO-011) for the year ended 30 June, 2022 – The National Treasury

assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Treasury Capacity Strengthening Project, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Financing Agreement Grant No.5500155013902 between the Republic of Kenya and the African Development Bank dated on 12 February, 2021.

In addition, the special account reconciliation statement presents fairly, the special account transactions and the closing balance has been reconciled with the books of account.

Basis for Qualified Opinion

Omitted and Unsupported Expenditure - Extraneous Allowances

During the year under review, a total of Kshs.1,140,000 was paid as extraneous allowances to the Co-ordinating Team for African Development Bank Appraisal Mission between 28 February, 2022 to 24 March, 2022. However, the expenditure was not included in the Project's financial statements and no documentary evidence was provided to justify payment of the extraneous allowances to officers who were performing their normal duties. Management has indicated that the amount was incurred on Public Debt Management Office (PDMO) activities but was erroneously captured under the Project account. Further, the Project's Management has requested The National Treasury to raise a journal entry to reverse the erroneous expenditure. However, a copy of the Journal entry was not provided for audit review.

In the circumstances, the accuracy and completeness of the Project's financial statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Treasury Capacity Strengthening Project Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.13,000,000 and Kshs.8,684,571 respectively, resulting to an under-funding of Kshs.4,315,429 or 33% of the budget. Similarly, the project spent a total of Kshs.6,432,328 against an approved budget of Kshs.13,000,000 resulting to an under expenditure of Kshs.6,567,672 or 51% of the approved budget.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes

and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Bank Grant No.5500155013902 dated 9 February, 2021, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project's financial statements agree with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL


Nairobi


22 November, 2022


6. Statement of Receipts and Payments for the year ended 30th June 2022.

Note	Receipts and payments controlled by the entity	Payments made by third parties	2021-2022		Total	Cumulative to-date (From inception)
			Kshs.	Kshs.		
Receipts						
Transfer from External Development Partners	11.1	5,900,490	-		5,900,490	5,900,490
GOK: Counterpart funding		2,784,081	-		2,784,081	2,784,081
Total receipts		8,684,571	-		8,684,571	8,684,571
Payments						
Purchase of goods and services	11.2	6,432,328	-		6,432,328	6,432,328
Total payments		6,432,328	-		6,432,328	6,432,328
Surplus/ (deficit)		2,252,243	-		2,252,243	2,252,343

The accounting policies and explanatory notes to these financial statements are an integral part of the Financial Statements.


Julius M. Muia, PhD, CBS
Principal Secretary
The National Treasury

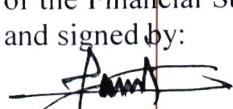

Dr. Kenrick Ayot
Project Manager


Linnet M. Vitisia
Head: Disbursement Unit
ICPAK Member No.5831

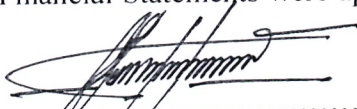
7. Statement of Financial Assets as at 30th June 2022

Description	Note	2021-2022
		Kshs
Financial Assets		
Cash and Cash equivalents		
Bank Balances	11.3.A	2,252,243
Cash Balances		-
Cash equivalents (Short-term deposits)		-
Total Cash and Cash equivalents		2,252,243
Imprests and Advances	11.4	-
Total Financial Assets		-
Financial Liabilities		
Deposits and Retention monies		-
Net Assets		2,252,243
Represented By		
Fund Balance B/fwd.	11.5	-
Prior Year adjustments	-	-
Surplus/(Deficit) for the Year		2,252,243
Net Financial Position		2,252,243

The accounting policies and explanatory notes to these financial statements form an integral part of the Financial Statements. The Financial Statements were approved on 28th November 2022 and signed by:



.....
Julius M. Muia, PhD, CBS
Principal Secretary
The National Treasury



.....
Dr. Kenrick Ayot
Project Manager

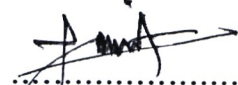


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Linnet M. Vitisia
Head: Disbursement Unit
ICPAK Member No.5831

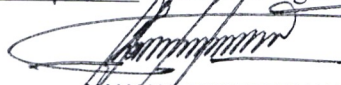
8. Statement of Cashflow for the year ended 30th June 2022

Description	Notes	2021-2022
		Kshs
Cashflow from operating activities		
Receipts		
Grant from Development Partner	11.1	5,900,490
Transfer from government entities		2,784,081
Total receipts		8,684,571
Payments		
Purchase of goods and services	11.2	6,432,328
Total Payments		6,432,328
Adjustments during the year		
Prior year adjustments		-
Net cash flow from operating activities		2,252,243
Cashflow from investing activities		
Net cash flows from investing activities		-
Cash flow from financing activities		
Net cash flow from financing activities		-
Net increase in cash and cash equivalents		-
Cash and cash equivalent at beginning of the year	11.3	2,252,243
Cash and cash equivalent at end of the year	11.3	2,252,243

The accounting policies and explanatory notes to these Financial Statements form an integral part of the Financial Statements. The National Treasury Capacity Strengthening Project's Financial Statements were approved on 28/11 2022 and signed by:



Julius M. Muia, PhD, CBS
 Principal Secretary
 The National Treasury



Dr. Kenrick Ayot
 Project Manager




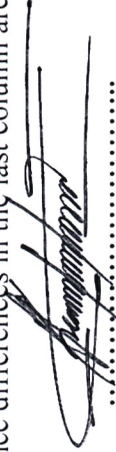
Linnet M. Vitisia
 Head: Disbursement Unit
 ICPAK Member No.5831


9. Statement of Comparison of Budget and Actual amounts for the year ended 30th June 2022

Receipts/Payments Item	Original Budget Kshs	Adjustments Kshs	Final Budget Kshs	Actual on Comparable Basis Kshs	Budget Utilization Difference Kshs	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Grant from External Development Partners	10,000,000		10,000,000	5,900,490	4,099,510	59%
Transfer from Government entities - GOK	3,000,000		3,000,000	2,784,081	215,919	93%
Total Receipts	13,000,000		13,000,000	8,684,571	4,315,429	67%
Payments						
Payment for Goods & Services	13,000,000		13,000,000	6,432,328	6,567,672	49%
Total Payments	13,000,000		13,000,000	6,432,328	6,567,672	49%
Surplus or Deficit	-		-	2,252,243		

Note: The significant budget utilisation/performance differences in the last column are explained in Annex I to these Financial Statements.


.....
Julius M. Muia, PhD, CBS
Principal Secretary
The National Treasury


.....
Dr. Kenrick Ayot
Project Manager


.....
Linnet M. Vitisia
Head: Disbursement Unit
ICPAK Member No.5831

10. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

10.1 Statement of compliance and basis of preparation

The Financial Statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The Financial Statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to the year presented.

10.2 Reporting entity

The Financial Statements are for National Treasury Capacity Strengthening Project under the National Treasury. The Financial Statements are for the reporting entity National Treasury Capacity Strengthening Project as required by Section 81 of the PFM Act, 2012.

10.3 Reporting currency

The Financial Statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.4 Recognition of receipts

The National Treasury Capacity Strengthening recognises all receipts from the various sources when the event occurs, and the related cash has actually been received.

i) Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

ii) External Assistance

External assistance is monies received through grants and loans from multilateral and bilateral development partners.

Significant Accounting Policies (Continued)

iii) Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the Financial Statements at the time associated cash is received.

iv) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

v) Proceeds from borrowing

Borrowing includes external loans acquired by the Project or any other debt the Project may take and will be treated on cash basis and recognized as a receipt during the year they were received.

vi) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

10.5 Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

i) Compensation to employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

ii) Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

Significant Accounting Policies (Continued)

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incur and paid for.

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

10.6 In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

10.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

10.8 Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

10.9 Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

10.10 Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

Significant Accounting Policies (Continued)

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

10.11 Contingent Assets

The National Treasury does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the National Treasury in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

10.12 Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

10.13 Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable

budget for the financial year/period under review has been *included in an annex to these financial statements.*

10.14 Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, Kshs Nil being loan disbursements were received in form of direct payments from third parties.

10.15 Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

10.16 Comparative figures

Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

10.17 Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2022.

10.18 Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior adjustments recorded because the project started during the financial year under review.

11. Notes to the Financial Statements

11.1a Grants from External Development Partners

During the financial period to 30 June 2022, we received grants from African Development Bank as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment *	Grants received in kind	Total amount in Kshs	
						2021-2022	2020 - 2021
		USD	Kshs	Kshs	Kshs	Kshs	Kshs
Grants Received from Multilateral Donors (International Organizations)							
African Development Bank	04.11.2021	53,000	0	0	0	5,900,490	0
Total		53,000	0	0	0	5,900,490	0

11.1b Transfer from Government entities

During the financial period to 30 June 2022, there was a GOK counterpart funding amounting to Ksh. 2,784,081 that was paid through the main Development cash book under the National Treasury to cater for capacity building.

11.2 Purchase of Goods and Services

	2021/2022		
	Payments made in Cash	Payments made by third parties	Total payments
	Kshs	Kshs	Kshs
Training payments	6,432,328	-	6,432,328
Total	<u>6,432,238</u>	<u>=</u>	<u>6,432,328</u>

11.3 Cash And Cash equivalents

Description	2021-2022
	Kshs
Bank accounts	2,252,243
Total	<u>2,252,243</u>

National Treasury Capacity Strengthening Project has one project bank account within the project implementation area and one foreign currency designated bank account managed by the National Treasury as listed below:

11.3 A Bank Accounts

Project Bank Accounts

Details	2021-2022
	Kshs
<u>Foreign Currency Accounts</u>	
Central Bank of Kenya [A/c No1000492098] (USD.37,512)	
Total Foreign Currency balances	
<u>Local Currency Accounts</u>	
Central Bank of Kenya [A/c No1000528893]	2,252,243
Total local currency balances	2,252,243
Total bank account balances	2,252,243

Notes to the Financial Statements (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2022 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

Description	2021-2022
	Kshs
National Treasury Capacity Strengthening Project [A/c No1000492098]	
Opening balance	-
Total amount deposited in the account	5,900,490
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>3,648,247</u>
Closing balance (as per SDA bank account reconciliation attached)	<u>2,252,243</u>

11.4 Imprests and Advances

Description	2021-2022
	Kshs
Government Imprests	-
Total	-


Notes to the Financial Statements (Continued)

11.5 Fund Balance Brought Forward


Description	2021-2022
	Kshs
Bank accounts	-
Total	-

12 Prior Year Auditor-General's Recommendations


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
N/A	None	N/A	N/A	N/A



 Julius M. Muia, PhD, CBS
 Principal Secretary
 The National Treasury



 Dr. Kenrick Ayot
 Project Manager



 Linnet M. Vitisia
 Head: Disbursement Unit
 ICPAK Member No.5831

13 Annexes

Annex 1 - Variance explanations - Comparative Budget and Actual amounts for FY 2021-2022

	Final Budget Kshs	Actual on Comparable Basis Kshs	Budget Utilization Difference Kshs	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Grant from Development Partner	10,000,000	5,900,490	4,099,510	59%	Procurement of Equipment not undertaken
Transfer from Government entities - GOK	3,000,000	2,784,081	215,919	93%	
Total Receipts	13,000,000	8,684,571	4,315,429	67%	
Payments					
Purchase of goods and services	13,000,000	6,432,328	6,567,672	49%	Procurement of Equipment not undertaken
Total payments	13,000,000	6,432,328	6,567,672	49%	

Annex 2: Other Support Documents

- i. Certificate of Central Bank of Kenya Balances as at 30th June 2022
- ii. Bank Reconciliations Statement as at 30th June 2022
- iii. Special Deposit Account(s) reconciliation statement(s)
- iv. Trial Balance

BANKI
KUU YA
KENYA



CENTRAL
BANK OF
KENYA

Haile Selassie Avenue
P.O. Box 60000 - 00200 Nairobi, Kenya
Telephone: 2860000, Fax: 340192

July 18, 2022

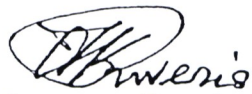
CERTIFICATE OF BALANCES

Customer: 100094 & 120373 THE NATIONAL TREASURY

Balance Date: 30-Jun-22

Account No	Account Name	Currency	Balance
1000000977	TREASURY BILLS ACCOUNT	KES	0.00
1000000988	TREASURY BONDS ACCOUNT	KES	0.00
1000000996	REVENUE DEPOSIT ACCOUNT	KES	7,545,798,662.81
1000004053	TREASURY BONDS REDEMPTION	KES	0.00
1000004061	TREASURY BONDS INTEREST	KES	32.41
1000004088	TREASURY BILLS REDEMPTION SUSP.	KES	0.00
1000181467	REC-THE NATIONAL TREASURY	KES	75,240,063.37
1000181664	DEV-THE NATIONAL TREASURY	KES	5,154,047,595.05
1000182137	DEP-THE NATIONAL TREASURY	KES	2,477,881,646.15
1000187506	MICRO FINANCE SEC SUP CR-CAP BLDG	KES	90,491,999.30
1000201924	VOLUNTARY PAY CUT	KES	221,593,032.65
1000204378	REC-PUBLIC DEBT	KES	721,240,531.98
1000204419	REC-SALARIES ALLOWA MISC AND NSSSFC	KES	4,768,208.15
1000205024	PETROLEUM DEVELOPMENT LEVY FUND	KES	3,264,319,323.60
1000221518	KENYA PETROLEUM TECHNICAL ASS PROJ	KES	0.00
1000237872	FINANCIAL SEC.SUPP.PRJ-IDA 56270-KE	KES	103,406,612.35
1000268743	AFRICAN INSTITUTE FOR REMITTANCES	KES	17,127,569.60
1000323876	A U OTHER INTERNAT. ORG SUBSC FUND	KES	3,458,035,205.96
1000349538	PPP PROJECT FACILITATION FUND ACC.	KES	343,060,675.00
1000368632	INFRASTRUCTURE FIN AND PUB PART PRJ	KES	3,389,239.95
1000409018	INFRASTR FINANCE AND PPP-CAT. 2EEP	KES	823,009,955.35
1000447575	KEN. FINANCING LOCALLY LED	KES	65,168,215.75

	CLIMATE		
1000516534	GREEN CLIMATE FUND READINESS PROJ	KES	30,731,629.00
1000528885	AFFORDABLE HOUSING FINANCE PROJ	KES	13,896,393.65
1000528893	ADB: NATIONAL TREASURY CAPACITY STRE	KES	2,252,243.00
1000539135	EU KENYA COOPERATION AND PARTNERSHI	KES	0.00
1000537876	STATE OFF AND PUB OFF CAR LOAN SCH	KES	502,568,473.75



Lawrence Rweria
 Authorised Signatory
 Banking Services Division



Joyce Nasieku
 Authorised Signatory
 Banking Services Division

REPUBLIC OF KENYA
BANK RECONCILIATION STATEMENT
FOR THE PERIOD 1ST JUNE 2022 TO 30TH JUNE 2022

	KSHS	KSHS
Balance as per Bank Certificate		2,252,243.00
Less:		
1. Payments in Cash Book not yet recorded in Bank Statement		
2. Receipts in Bank Statement not yet recorded in Cash Book	-	-
Add:		
3. Payments in Bank Statement not yet recorded in Cash Book		
4. Receipts in Cash Book not yet recorded in Bank Statement		-
Balance as per Cash Book		2,252,243.00

I certify that I have verified the Bank Balance in the Cash Book with the Bank

Callal 30.06.2022
SIGNATURE & DATE

Accountant 1
DESIGNATION

NATIONAL TREASURY CAPACITY STRENGTHENING PROJECT
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30TH JUNE 2022
PART B: ACCOUNT RECONCILIATION STATEMENT

PROJECT No. 5500155013902
Bank Account No.1000492098 Held with Central Bank of Kenya

	NOTES	AMOUNT USD	AMOUNT USD
1	Amount advanced by ADB		90,552.00
	Less		
2	Total amount justified to ADB		
3	Outstanding amount advanced to Designated Account		90,552.00
	Represented by:		
4	Ending Designated Account Balance at 30.06.2022		37,512.00
5	Amount claimed but not credited at 30.06.2022		-
6	Amount withdrawn and not claimed as at 30.06.2022		53,040.00
7	Service charges (if not included in 5 & 6 above)		-
	Less		
8	Interest earning (if included in Designated Account)		-
9	Total advance to Designated Account year ended 30.06.2022		90,552.00

Descrpancy between total appearing on lines 3 and 9 -

Notes:

- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded to cover ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by ADB and provide reasons for not claiming the expenditures

The amount appearing on line 6 is eligible for financing by ADB and shall be documented in subsequent IFRs/SOEs


AUTHORIZED REPRESENTATIVE
RESOURCES MOBILIZATION DEPARTMENT - TREASURY

DATE: 01-08-2022

SPECIAL ACCOUNT STATEMENT

For period ending	30th JUNE, 2022
Account No.	1000492098
Depository Bank	CENTRAL BANK OF KENYA.
Address	CENTRAL BANK OF KENYA.
Related Loan	NTCSP
Credit Agreement	
Currency	USD

Part A - Account Activity

Beginning balance of 1st July, 2021 as per C.B.K. Ledger Account	0.00
---	------

Add:

Total Amount deposited by World Bank	90,512.00
--------------------------------------	-----------

Total Interest earnings if deposited in account	
---	--

Total amount refunded to cover ineligible expenditure	
--	--

Deduct:

Total amount withdrawn	53,000.00
------------------------	-----------

Total service charges if not included above in amount withdrawn	
--	--

Ending balance on 30th June, 2022	37,512.00
-----------------------------------	-----------

**AUTHORISED REPRESENTATIVE
CENTRAL BANK OF KENYA**

SIGNATURE: 

DATE

14.07.2022

**AUTHORISED REPRESENTATIVE
EXTERNAL RESOURCES
DEPARTMENT-TREASURY**

SIGNATURE: 

DATE

01.08.2022

NOTE: The ending balance as per Central Bank of Kenya Ledger Account and the off-shore Special Account as at 30th June, 2022 have been reconciled and a copy of the supporting Reconciliation Statement is attached.

Results 1 - 2 of 2.

Run Date: 13/07/2022
 CENTRAL BANK OF KENYA
 BANKI KUU YA KENYA
 P.O.BOX 60000-0200
 NAIROBI

Run Times: 09:08:23

STATEMENT OF ACCOUNT PAGE NO : 1

ACCOUNT NUMBER : 1000492098

ACCOUNT TITLE : NTCSP

STATEMENT PERIOD: From 01/07/2021 To

30/06/2022

NO.	DATE	REFERENCE NO	DETAILS	DEBIT	CREDIT BALANCE
-----	------	--------------	---------	-------	----------------

OPENING BAL : 0.00

NO.	Value Date	Refernce.No	Details	Debit	Credit	Balance
1	25/10/2021	FT21298TMLP8	FUNDING	0.00	90,512.00	90512
2	04/11/2021	FT21308LZTLR	PA127249	-53,000.00	0.00	37512

CLOSING BALANCE : 37512

END OF ACCOUNT STATEMENT

Favourites

TAM.E.STMT.OF.ACCT.EPRM

[More Options](#)

[Clear Selection](#)

Find

Account	equals	1000492098
Statement From	equals	20210701
Statement To	equals	20220630

TAM.E.STMT.OF.ACCT.EPRM

Middle Inc Countries Fund
 Summary of Revolving Funds By Loan (In Paid Currency)
 Public sector As at 30.06.2022
 Loan Number : 5500155013902
 Project ID : P-KE-K00-011
 Project Title : National Treasury Strengthening Project
 Borrower : MINISTRY OF FINANCE

Printing Date : 30.06.2022
 Page : 1
 System : PRD / 400
 Loan Contract Currency : UAC
 Closing Date : 31.03.2023
 Commitment Capital : 200,000.00
 Available Balance : 0.00

LDV Number	Reference	Curr	Amount Approved Approval Currency	Amount Justified Approval Currency	Balance to Justify Approval Currency	Amount Disbursed UAC	Amount Justified UAC	Balance to Justify UAC	%Justified F = D / C	Disburs. Value Date	Last Just. Date
(A)	(B)		(X)	(Y)	(Z) = (X) - (Y)	(C)	(D)	(E) = (C) - (D)		(G)	(H)
5500155013902											
1 All activities											
1/KE/2021/96230	RF N00001	USD	90,552.00	0.00	90,552.00	64,267.31	0.00	64,267.31	0.00	15.10.2021	00.00.0000
Total 5500155013902 All activities											
						64,267.31	0.00	64,267.31	0.00		
5500155013902											

**THE NATIONAL TREASURY & PLANNING
NATIONAL TREASURY CAPACITY STRENGTHENING PROJECT
TRIAL BALANCE AS AT 30TH JUNE 2022**

DESCRIPTION	DR (KSHS)	CR (KSHS)
Proceeds from Domestic and Foreign Grants		5,900,490.00
Training	3,139,747.00	
Tuition fee	508,500.00	
Balance c/d	2,252,243.00	
TOTAL	5,900,490.00	5,900,490.00

100

100

